

## **FINAL VERSION OF DISCLOSURE NOTICE**

### **Renewal Premium that is a result of a capping procedure employed by the insured**

#### **Scope of Applicability**

- (1) Disclosure applies to policies renewed on or after [Enter Date].
- (2) Disclosure applies to authorized insurers with the following types of personal insurance policies:
  - a. Private passenger automobile coverage;
  - b. Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
  - c. Dwelling property coverage for owner occupied dwellings only
- (3) Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
- (4) Exemptions
  - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
  - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
  - c. This chapter does not apply to personal umbrella policies.

#### **Notification Thresholds**

- (1) Phase One: Beginning [enter date], and effective until [enter date phase one expires – such as 3 years], insurers shall provide reasonable explanations for changes in premium for policies as described in the Scope of Availability, upon written request by the policyholder, for any premium increase occurring at renewal.
- (2) Phase Two: Beginning [enter date phase two begins], insurers shall provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent premium increase or more, or upon written request by the policyholder for any premium increase occurring at renewal.

#### **Administrative and Notification Requirements**

- (1) For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required to be included on the first page, or view of renewal notices, and renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.
- (2) For the second phase, insurers must automatically send disclosure notice at least 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal.

Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email, if the insured has elected to receive email notifications.

- (3) For both phases:
  - a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
  - b. Insurers should respond to an insured's written request for explanation of premium change no later than 30 calendar days from the receipt of the written request.
  - c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. Insurers should respond prior to the renewal date.
- (4) The effective date of receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.
- (5) Insurers should include their contact information in all premium change notifications and explanations to policyholders and may include the producer's (if any) contact information.
- (6) Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent via postal mail or electronically.

### **Communication Standards**

- (1) Insurers should provide sufficient information, including primary factors, in terms understandable to an average policyholder. Primary factors include:
  - a. Auto-related factors: car garaging location, driving record, miles driven, number of drivers, and number of vehicles,
  - b. Property related factors: age, location, and value,
  - c. Demographic factors: age, credit history, education, gender, marital status, and occupation,
  - d. Other factors: claims history, discounts, fees and surcharges, premium capping, and rate changes.
  - e. Factors not listed above as primary are considered as optional factors. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.
- (2) For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase, with any premium change notices processed for renewals.
- (3) If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.
- (4) If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, as specifically applied to that policy and premium increase.
- (5) Insurers may include premium change explanations for all premium increases beyond those required.
- (6) If an insurer already has a notification process acceptable to the State's regulator, it could be allowed to continue to use the process that is in place.

## **Phase 2: Auto Insurance Premium Increase Notice Example**

**Your auto insurance premium is increasing.**

Your current auto insurance premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department for their approval. According to the rating plan we filed with your state, your premium would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].

**However, the next time you renew your policy your premium increase will be limited to only \$88, resulting in a renewal premium of \$1,257.**

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as age, location, and value), your premium could increase or decrease from the premium amounts stated above.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

### **Reasons for your premium increase and the dollar impact**

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

## **Phase 2: Homeowner's Insurance Premium Increase Notice Example**

**Your homeowner's insurance premium is increasing.**

Your current homeowner's insurance premium [for what period] is \$1,175 [how often].

Each insurer files a rating plan with the state insurance department for their approval. According to the rating plan we filed with your state, your premium would increase to \$2,121 the next time you renew your policy, which is scheduled for [date].

**However, the next time you renew your policy your premium increase will be limited to only \$88, resulting in a renewal premium of \$1,257.**

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches \$2,121.

Remember that there also are other reasons your homeowner's insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as your number of accidents or violations), your premium could increase or decrease from the premium amounts stated above.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

**Reasons for your premium increase and the dollar impact**

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

## **FINAL VERSION OF DISCLOSURE NOTICE**

### **Renewal Premium that is not a result of a capping procedure employed by the insured**

#### **Scope of Applicability**

1. Disclosure applies to policies renewed on or after [Enter Date].
2. Disclosure applies to authorized insurers with the following types of personal insurance policies:
  - a. Private passenger automobile coverage;
  - b. Homeowner's coverage, including mobile homeowners, manufactured homeowners, condominium owners, and renter's coverage; and
  - c. Dwelling property coverage for owner occupied dwellings only
3. Disclosure applies to renewals of policies and will not apply to the purchase of new policies or new insurance applications.
4. Exemptions
  - a. Disclosure does not apply to personal insurance policies for coverage of boats, motorcycles, off-road vehicles, recreational vehicles, antique or collector vehicles, classic vehicles, and specialty vehicles.
  - b. This chapter does not apply to policyholder-initiated changes to insurance coverages, policies, or premiums.
  - c. This chapter does not apply to personal umbrella policies.

#### **Notification Thresholds**

1. Phase One: Beginning [enter date], and effective until [enter date phase one expires – such as 3 years], insurers shall provide reasonable explanations for changes in premium for policies as described in the Scope of Availability, upon written request by the policyholder, for any premium increase occurring at renewal.
2. Phase Two: Beginning [enter date phase two begins], insurers shall provide premium change notices, with reasonable explanations and primary factors, disclosing the causes of premium increases for insurance policies. Insurers shall provide premium change notices automatically when a renewal will result in a 10 percent premium increase or more, or upon written request by the policyholder for any premium increase occurring at renewal.

#### **Administrative and Notification Requirements**

1. For the first phase, insurers should notify policyholders of their right to request an explanation for their rate increase in accordance with their jurisdiction's requirements. For example, a prominent disclaimer may be required to be included on the first page, or view of renewal notices, and renewal billing statements indicating policyholders receiving an increase to their premiums at renewal can request an explanation by contacting the insurer in writing.
2. For the second phase, insurers must automatically send disclosure notice at least 30 days prior to the renewal date if the insured receives at least a 10 percent premium increase at renewal. Disclosure notification may be included with the renewal notice or may be sent in a separate mailing, or by email, if the insured has elected to receive email notifications.
3. For both phases:

- a. Insurers should include a statement in notifications and/or explanations that the policyholder may contact their insurer to request additional information about premium increases.
  - b. Insurers should respond to an insured's written request for explanation of premium change no later than 30 calendar days from the receipt of the written request.
  - c. Requests from an insured for subsequent additional information should be responded to no later than 20 calendar days. Insurers should respond prior to the renewal date.
4. The effective date of receipt and response will be in accordance with each jurisdiction's requirements. For instance, receipt and response dates may be indicated by either postmark or electronic timestamp.
5. Insurers should include their contact information in all premium change notifications and explanations to policyholders, and may include the producer's (if any), contact information.
6. Insurers should provide premium change notifications and explanations to policyholders in writing. Explanations or notices may be sent via postal mail or electronically.

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  - c. Demographic factors: age, credit history, education, gender, marital status, and occupation,
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  - e. Factors not listed above as primary are considered as optional factors. Insurers may include additional optional factors not listed in this section, if applicable to the premium increase.
2. For the second phase, insurers shall include the primary factors in the premium change notice, if applicable to the premium increase, with any premium change notices processed for renewals.
3. If insurers include composite rating variables in their premium change explanation, the premium increase attributed to the composite rating variables should be explained.
4. If insurers use estimated dollars, a reasonable explanation should be provided on the degree of accuracy estimated dollars achieve, as specifically applied to that policy and premium increase.
5. Insurers may include premium change explanations for all premium increases beyond those required.
6. If an insurer already has a notification process acceptable to the State's regulator, the insurer could be allowed to continue to use the process that is in place.

### **Phase 2: Auto/Homeowner's Insurance Premium Increase Notice Example**

**Your auto/homeowner's insurance premium is increasing.**

Your current premium is \$1,175.

Your renewal premium is \$1,250.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

**Reasons for your premium increase and the dollar impact**

- Reason 1 raised your premium \$A
- Reason 2 raised your premium \$B
- Reason 3 raised your premium \$C
- Reason 4 raised your premium \$D
- Reason 5 raised your premium \$E

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.